

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
JANUARY 8, 2019**

ITEM 5

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION TO AUTHORIZE THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE (DIVISION) TO MODIFY THE TERMS OF FINANCING AGREEMENTS FOR COMMUNITIES AFFECTED BY FIRE DURING 2018

DISCUSSION

The Paradise Irrigation District (District) is a large disadvantaged community water system located in Butte County, approximately 14 miles east of the City of Chico. The District provides potable water to approximately 26,000 residents of Paradise through 10,495 service connections with a median household income of approximately \$47,533.

The State Water Resources Control Board (State Water Board) has provided Drinking Water State Revolving Fund (DWSRF) planning financing to the District for planning necessary to replace the existing Reservoir B with two bolted steel tanks and provide redundancy to Reservoir A. On October 31, 2018, the District completed the planning Project. The State Water Board has disbursed or approved disbursement of \$676,133 to the District as of December 5, 2018, and the District is in the process of submitting the final claim for the remaining balance of \$123,867.

On November 8, 2018, the Camp Fire ignited, burning 153,336 acres (239 square miles) in Butte County before it was fully contained on November 25, 2018. The Camp Fire destroyed 18,793 structures (including 13,972 residences) and caused eighty-five fatalities. It is reportedly the 6th deadliest and most destructive wildfire in the U.S. Of the District's 10,495 service connections, an estimated 1,700 (16%) remain as potentially viable.

On November 10, 2018, the District informed the Division staff and Division of Drinking Water (DDW) staff that Reservoir B was damaged and is unusable. The District is still in the early stages of assessing the full extent of the fire's physical and financial impact. The District is facing a severe financial hardship.

Other communities may have also been affected by fire during 2018. Damage caused by the fires in California is still being assessed, and other Clean Water State Revolving Fund (CWSRF) and DWSRF recipients may be facing financial hardships similar to the District.

For communities devastated by the California wildfires of 2018 that the Deputy Director of the Division determines are prevented from making full or timely payments under the terms of their CWSRF or DWSRF Loans, due to severe damage or destruction of the system financed by the SRF Loan or due to displacement of a significant portion of the ratepayer base, she is authorized to amend SRF Loans to modify their terms as she deems appropriate, consistent with state and federal law, including but not limited to providing for the restructuring or deferral of repayments, a change in interest rate, forgiveness of principal, and providing additional assistance notwithstanding contrary provisions in any Policies, Guidelines, or IUPs.

POLICY ISSUE

Should the State Water Board adopt a resolution authorizing the Deputy Director of the Division, for communities devastated by the California wildfires of 2018 that she determines are prevented from making full or timely payments under the terms of their SRF Loans, due to severe damage or destruction of the system financed by the SRF Loan or due to displacement of a significant portion of the ratepayer base, to amend SRF Loans to modify their terms as she deems appropriate, consistent with state and federal law, including but not limited to providing for the restructuring or deferral of repayments, a change in interest rate, forgiveness of principal, and providing additional assistance notwithstanding contrary provisions in any Policies, Guidelines, or IUPs?

FISCAL IMPACT

The Deputy Director will evaluate the fiscal impact of any modifications to financing agreements to ensure that they do not adversely affect the finances of any Water Board administered financing program.

The District and other communities in California are in the early stage of assessing the impact of the Camp Fire and other fires on their operations. Until this is complete, the long-term consequences to the communities are unpredictable, but any modification of the terms of the financing agreements will help them in their recovery efforts.

REGIONAL BOARD IMPACT

None.

HUMAN RIGHT TO WATER ANALYSIS

The proposed modifications would affirmatively support the human right to water.

STAFF RECOMMENDATION

The State Water Board should adopt a resolution authorizing the Deputy Director of the Division, for communities devastated by the California wildfires of 2018 that she determines are prevented from making full or timely payments under the terms of their SRF Loans, due to severe damage or destruction of the system financed by the SRF Loan or due to displacement of a significant portion of the ratepayer base, to amend SRF Loans to modify their terms as she deems appropriate, consistent with state and federal law, including but not limited to providing for the restructuring or deferral of repayments, a change in interest rate, forgiveness of principal, and providing additional assistance notwithstanding contrary provisions in any Policies, Guidelines, or IUPs?

State Water Board action on this item will assist the Water Boards in reaching Goal 6 of the Strategic Plan Update: 2008-2012 to enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.